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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000074

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SUBJECT: KOCHARIAN WON'T CONDEMN REFERENDUM, STILL HOPES
FOR MCC SUPPORT

Classified By: Ambassador John M. Evans for reasons 1.4 (b) and (d)

Summary

1. (C) In a January 17 meeting with President Kocharian, the Ambassador pressed for a clearer GOAM acknowledgement of shortcomings in the November 27 constitutional referendum. The January 12 response to Millennium Challenge Corporation CEO Danilovich from FM Oskanian was a principled statement, and while it gave strong assurances of GOAM commitment to hold clean elections in 2007 and 2008, it did not answer the MCC call to investigate allegations of improprieties. President Kocharian told the Ambassador that he remained dead set against making any public statement critical of the conduct of the referendum, although he admitted that the turnout figures were likely inflated. Any such statement, Kocharian argued, would weaken Armenia's new constitution and would, by extension, undermine all of Armenia's democratic institutions. Armenia's election law was based on a system of checks and balances; when most of the opposition parties pulled their representatives out of electoral commissions at all levels, the system collapsed, Kocharian complained bitterly. Citing President Bush's pledge to support leaders working to build democracy, the Ambassador pressed Kocharian to ensure all relevant government structures worked with U.S. programs aimed at building Armenia's democratic institutions. End Summary.

2. (C) On January 17 the Ambassador and DCM met with President Kocharian to discuss USG expectations regarding Armenia's eligibility for funding from the Millennium Challenge Corporation. The Ambassador thanked President Kocharian for Foreign Minister Oskanian's detailed January 12 response to MCC CEO Danilovich's December 16 letter. While Oskanian's letter (forwarded to EUR/CACEN) did much to assure the USG of Armenia's commitment to ensuring Armenia's elections in 2007 and 2008 meet democratic standards, the letter did not respond adequately to the MCC challenge to acknowledge allegations of wrongdoing during the November referendum and to make a high-level public commitment to investigate such allegations.

3. (C) Kocharian said that while other Armenian leaders had made statements which -- to varying degrees -- called the results of the referendum into question, he, as Armenia's president, could not do so without calling into question the very validity of the Republic's constitution, and, by extension, the validity of Armenia's democratic institutions and any future elections held under the rules established by the revisions approved in the November 27 ballot. He complained bitterly about the opposition's decision to pull out of electoral commissions across Armenia. Armenia's electoral law relied on checks and balances, Kocharian explained, and when the opposition pulled all of its members from the 1800 or so local-level electoral commissions throughout Armenia, only those parties advocating passage of the referendum were left.

4. (C) Kocharian said that with the exception of the few precincts called into question by observers from the Council of Europe, there were no official complaints registered with the proper authorities. None of the parties who had spoken out about alleged problems, including the opposition, the Speaker of the Parliament, or the hundreds of local observers trained for three years by NDI, filed a single complaint. By that measure, he continued, Armenia should be proud to have conducted the "most proper referendum" held in Europe in recent memory. He acknowledged that even he privately questioned the reported turnout of one and a half million voters, but without a formal complaint to act on, the Prosecutor General could take no action. He said that he had instructed the Prosecutor General to write letters to all of the news outlets and politicians who had made allegations of ballot-stuffing, requesting that they present their evidence for further investigation and prosecution. The Prosecutor received no responses.

5. (C) Kocharian said that he was concerned that the USG might be using MCC funding to ask Armenia to carry out random arrests. He asked rhetorically whether he should round up all of the election officials who worked during the referendum and ask for 50 patriotic volunteers to go to jail so that the MCC criteria would be met and the development assistance would flow. "The MCC is your program, and it is

your money, so you must do what you will," said Kocharian. He said that he was convinced that the harm to Armenia caused by making a statement which called the legitimacy of the constitution into question was greater than the good the MCC Compact would bring to Armenia.

16. (C) The Ambassador said that the USG was not asking Kocharian to overturn the results of the referendum and, citing the relevant law, pointed out that both Oskanian's letter and Kocharian's own exposition were incorrect: the GOAM could institute an investigation into election results without a formal complainant. President Bush -- who launched the MCC -- declared his readiness to support leaders who were bringing their countries closer to democracy, the Ambassador explained, and we believe a recognition of some of the shortcomings of the referendum would strengthen, not weaken Armenia's democracy.

Comment

17. (C) Oskanian's January 12 letter fulfils most of the USG requirements set out in the MCC letter. Kocharian's own response from December 22 to Ambassador Danilovich made a firm commitment to sustaining democratic reforms and made a pledge to cooperate with us and others "in order to improve the political processes leading up to the elections of 2007 - 2008." Still missing from the GOAM responses, obviously, is any commitment to acknowledge officially the shortcomings of the referendum and any pledge to carry out an investigation to determine responsibility for the apparently grossly inflated turnout results.

18. (C) In deciding how to proceed, the USG needs to balance the benefit to regional stability which would be gained through implementation of the MCC Compact against the desirability of the GOAM's taking responsibility for rigging the November 27 referendum. We should also factor in the significant investment already made in preparing the Compact to this point. The MCC funding is a significant incentive, but also one that we believe should be used effectively. We would support an MCC board decision to move forward with compact signing and implementation, but not without keeping the pressure on the Armenians on the democracy building front. Our focus has now shifted squarely to preparing for elections in 2007 and 2008. We are sure that strong outside motivation like the MCC funding will aid our work in building democratic institutions here.

19. (C) We think the next step is for the MCC to respond to Oskanian's letter by announcing a board decision to move toward a compact signing. In this response, which we believe should be sent to President Kocharian, we propose that we describe Oskanian's statement of "regret that the referendum had become the occasion for doubt and irregularities" as the GOAM public acknowledgement we sought. We also ask that the letter make a call for the GOAM to re-commit to close cooperation with the USG and other entities seeking to improve democratic institutions in preparation for upcoming elections.

EVANS